



State of New Jersey

DEPARTMENT OF THE TREASURY

DIVISION OF TAXATION

PO Box 269

TRENTON NJ 08695-0269

JAMES E. MCGREEVEY

Governor

JOHN E. MCCORMAC, CPA

State Treasurer

July 28, 2004

Dear Sir/Madame:

On June 30, 2004, Assembly Bill No. 3115 (**Chapter 66, P.L. 2004**) and Assembly Bill No. 3128 (**Chapter 55, P.L. 2004**), impacting realty transfers in New Jersey, were signed into law. **Chapter 66** has increased the Realty Transfer Fee rates and applies to recordation of deeds reflecting New Jersey real property transfers. **Chapter 55** requires the filing of estimated Gross Income Tax on the transfer of real property by nonresidents of the State as a condition to recording. **Chapter 55** is effective on August 1, 2004. **Chapter 66** is effective immediately, but applies to deeds evidencing transfers of real property that occur on or after August 1, 2004 (that is, deeds dated on or after August 1, 2004). If no deed date appears on the deed, the date used to implement the new rates and procedures required by **Chapters 55** and **66** is the date that the deed is placed on record (i.e., recording date) at the county office in the county in which the transferred property is located.

To allow all county offices to adjust from the two computer systems necessary to impose and account for the "old" Realty Transfer Fee rates of Chapter 113, Laws of 2003 and the "new" rates of **Chapter 66**, Laws of 2004 into one accounting system that employs only the "new" rates, both the "old" and "new" rates will be recorded, as appropriate, until October 1, 2004. Thereafter, any individual who claims that a real property transfer occurred prior to August 1, 2004 must remit the Realty Transfer Fee at the "new" rates when recording a deed and then file a Claim for Refund (form RTF-3) with Property Administration to receive a refund for the difference between the "old" and the "new" rates. Claimants must provide evidence to the Division that the transfer occurred before August 1, such as a copy of the closing/settlement statement, and follow all other procedures.

Further, recognizing that sales or transfers prior to August 1, 2004 may not be submitted to the county clerk for recording for several weeks, the Division is providing a 60-day window where the county clerk is able to record deeds dated prior to August 1, 2004 without the new Gross Income Tax forms attached. All deeds submitted for recording to the county clerk on or after October 1, 2004 must have the required Gross Income Tax estimated payment forms and/or payment attached. County clerks will not be accepting any deeds for recording without the required Gross Income Tax documentation after this date, regardless of the date of sale or transfer. Sellers involved in deeds recorded on or after October 1, 2004 who believe they are not subject to the Gross Income Tax estimated payment requirements can file for a refund with the Division of Taxation subsequent to recording the deed.

For deeds dated prior to August 1, 2004 the burden is on the buyer to submit those deeds to the county clerk for filing before October 1, 2004 to avoid additional filing requirements and/or payments.

Regarding Chapter 66, the Realty Transfer Fee on standard transactions and on "new construction" must be calculated as follows:

TOTAL CONSIDERATION NOT IN EXCESS OF \$350,000

1. \$2.00/\$500 of consideration not in excess of \$150,000;
2. \$3.35/\$500 of consideration in excess of \$150,000 but not in excess of \$200,000;
3. \$3.90/\$500 of consideration in excess of \$200,000 but not in excess of \$350,000.

TOTAL CONSIDERATION IN EXCESS OF \$350,000

1. \$2.90/\$500 of consideration not in excess of \$150,000;
2. \$4.25/\$500 of consideration in excess of \$150,000 but not in excess of \$200,000;
3. \$4.80/\$500 of consideration in excess of \$200,000 but not in excess of \$550,000;
4. \$5.30/\$500 of consideration in excess of \$550,000 but not in excess of \$850,000;
5. \$5.80/\$500 of consideration in excess of \$850,000 but not in excess of \$1,000,000;
6. \$6.05/\$500 of consideration in excess of \$1,000,000.

The Realty Transfer Fee by senior citizens, blind persons, disabled persons, and on property that is low and moderate income must be calculated as follows:

TOTAL CONSIDERATION NOT IN EXCESS OF \$350,000

1. \$.50/\$500 of consideration not in excess of \$150,000;
2. \$1.25/\$500 of consideration in excess of \$150,000 but not in excess of \$350,000.

TOTAL CONSIDERATION IN EXCESS OF \$350,000

1. \$1.40/\$500 of consideration not in excess of \$150,000;
2. \$2.15/\$500 of consideration in excess of \$150,000 but not in excess of \$550,000;
3. \$2.65/\$500 of consideration in excess of \$550,000 but not in excess of \$850,000;
4. \$3.15/\$500 of consideration in excess of \$850,000 but not in excess of \$1,000,000;
5. \$3.40/\$500 of consideration in excess of \$1,000,000.

An Affidavit of Consideration (RTF-1) is now required to be affixed to and recorded with all deeds transferring "new construction" in addition to the existing claims for a partial exemption. To ensure the proper disposition of Realty Transfer Fees into the appropriate funds, **"NEW CONSTRUCTION"** must now be printed clearly in upper case lettering on the top of the first page of deeds transferring new construction as well as on the Affidavit of Consideration. Grantors conveying title to new construction who fail to subscribe and append an Affidavit to the deed are guilty of a disorderly persons offense.

A new fee on the transfer of real property zoned for residential use, whether improved or not, for consideration in excess of \$1,000,000, of 1% of the entire amount of consideration, is now imposed on the grantee, or buyer. Attorneys, title agencies, and individuals transferring property will attest to the consideration figure and property zoning/class on the filed Affidavit of Consideration. Questions regarding **Chapter 66** should be directed to (609) 292-7974.

Proceeds from the Realty Transfer Fee provide support for the Public Health Priority Fund, shore protection initiatives, housing programs, extraordinary special education and municipal aid, and direct aid to New Jersey counties.

Chapter 55 now requires for transactions occurring on or after August 1, 2004 nonresident individuals, estates or trusts that sell or transfer real property in New Jersey to make an estimated Gross Income Tax payment prior to the recording of the deed. The payment must be remitted to the Division of Taxation prior to closing or can be made at closing.

The estimated payment is determined by multiplying the seller's gain, as computed for tax purposes, times the Gross Income Tax highest rate of 8.97%. In no case may the estimated payment be less than 2% of the consideration paid. Prior to closing, sellers prepaying will complete the Nonresident Seller's Tax Prepayment Receipt form GIT/REP-2 along with NJ-1040ES and file them at one of the Division's regional branch offices. (Locations of these branch offices are listed on the Division's Website shown below.) Sellers not prepaying must complete the Nonresident Seller's Tax Declaration form GIT/REP-1 and make payment at closing.

Sellers that meet one of the following conditions are not required to make estimated payments and will complete the Seller's Residency Certification/Exemption form (GIT/REP-3) which must be submitted at closing.

1. Seller is a resident of New Jersey and will be filing a resident Gross Income Tax return for the year of sale.
2. Seller will be claiming an income exclusion under Section 121 of the Internal Revenue Code of 1986 for the property being sold.
3. Seller is a mortgagor conveying the mortgaged property to a mortgagee in foreclosure or in a transfer in lieu of foreclosure with no additional consideration.
4. Seller, transferor or transferee is an agency or authority of the United States of America, or the State of New Jersey, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, or a private mortgage insurance company.
5. Seller is not an individual, estate or trust and as such is not required to make an estimated payment pursuant to N.J.S.A. 54A:1-1 et seq.
6. The total consideration received is \$1,000 or less and as such not required to make an estimated payment pursuant to N.J.S.A. 54A:1-1 et seq.

The new Gross Income Tax forms GIT/REP-1 Nonresident Seller's Tax Declaration and GIT/REP-3 Seller's Residency Certification/Exemption are available from the various County Clerk's Offices, Division of Taxation offices or can be downloaded from the Division of Taxation's website at www.state.nj.us/treasury/taxation. Form GIT/REP-2 Nonresident Seller's Tax Prepayment Receipt is only available at one of the Division of Taxation's Regional Taxpayer Service Locations. Samples of the new forms and instructions are attached for review only.

The buyer will submit the Seller's Residency Certification/Exemption, the Nonresident Seller's Tax Prepayment Receipt, or the Nonresident Seller's Tax Declaration and tax payment to the county clerk's office when the deed is recorded. No deed for the sale or transfer of real property shall be accepted or recorded by the county recording officer without the simultaneous filing of the appropriate forms with any required payment of the tax due or proof of payment.

Questions on **Chapter 55** and the new Gross Income Tax estimated payment requirements should be directed to (609) 292-6400.

For the purposes of this law, county recording officers shall act as the agents of the Director of the Division of Taxation. County treasurers are permitted to retain \$10.00 per filing of the Nonresident Seller's Tax Declaration form to offset additional direct expenditures incurred by the county recording officer and the county treasurer for the implementation of these responsibilities.

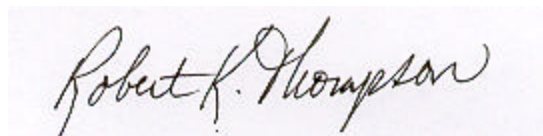
Attorneys, title insurance officers, and participants in real property transfers are urged to forward the necessary closing documents to the county recording officer as soon as possible to facilitate the implementation of the new laws.

For additional information on the new rate increases, gross income tax requirements, or to download the newly devised Realty Transfer Fee forms, please visit the Division of Taxation's Website at:

<http://www.state.nj.us/treasury/taxation> (Division of Taxation)

<http://www.state.nj.us/treasury/taxation/lpt/localtax.htm> (Local Property)

Very truly yours,

A handwritten signature in black ink that reads "Robert K. Thompson". The signature is written in a cursive, flowing style.

Robert K. Thompson
Director
Division of Taxation